

Synergy in Agricultural Trade

The trade in agricultural produce between the United States and India is poised to grow tremendously with restrictions eased and new food processing technologies introduced. This will offer plenty of food choices to millions of consumers in both countries.

Left: The Washington Apple Commission promotes the export of apples to some 50 countries, including India since 2001.

Right: A hostess marketing America's popular Hershey's Syrup at the Aahar 2005 exhibition in New Delhi in March.

It was a rare feast for thousands of visitors to the American pavilion at Aahar 2005, the 20th annual food products exhibition in New Delhi in March. They had a chance to savor delicious American agricultural produce such as almonds, pistachios and table grapes from California, pears from Oregon, apples from Washington State, and chocolates, cookies, fruit juices, sauces, spreads, salad dressings, cheese, syrups and jams from Pennsylvania.



HEMANT BHATNAGAR

Representatives of the American food industry, such as the California Pistachio Commission, the Washington Apple Commission, the Pear Bureau Northwest, the California Table Grape Commission and the Pennsylvania Department of Agriculture showcased their products. Besides promoting the Indian food industry, the exhibition provided a platform for international companies seeking markets for produce, dairy and horticultural products, processed food, packaging and refrigeration in India or to launch business ventures.

India removed quantitative trade restrictions in 2000, allowing importation of a wider variety of foods, but tariffs remain high, at 30 to 60 percent on most food items. As a result, the pace of American agricultural exports to India has remained slow, reaching a mere \$260 million in 2004, most of it in high-value consumer products, such as processed and packaged foods.

India's agricultural exports to the United States touched \$1.3 billion last year, registering a steady growth of 11 percent during the past five years. The Indian



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agricultural trade in favor of India by more than \$1 billion for the calendar year 2004.

From the U.S. perspective, India is a potential major market for food exports and joint ventures but needs to address issues such as high tariffs, higher transaction costs, trade facilitation, the remaining long list of blocked imports, remnants of the licensing system and protection of intellectual property rights (IPR). "India's onerous food laws, increasing use of SPS [sanitary and phytosanitary] measures, its fragmented market chain, lack of a cold chain [to keep food refrigerated] and a complex tax structure work as disincentives to the exporters," says Chad R.

Russell, agricultural counselor at the U.S. Embassy in New Delhi. "To put this in a micro-economic context, a consumer product valued at \$1 in New York will cost at least \$3.50 at retail in New Delhi."

Keith Sunderlal, an Indian representative of several American agriculture export corporations including the Washington Apple Commission, agrees. "Due to some of the world's highest import duties and other barriers to agricultural imports, Indian consumers are denied access to the many high quality and nutritious food, beverage and agricultural products from the United States," he says.

American food exporters are aiming at India's large and growing middle class, numbering 50-200 million. With increasing urbanization and exposure to western culture, there is a segment of 10-50 million consumers, largely concentrated in the major metros, who are the target customers because their consumption behaviors are comparable to westerners. Growing health consciousness among the middle class has further spurred specialty food imports, while the growth of fast food and western style restaurants and the vibrant domestic food processing industry has created substantial markets for an increasingly broad range of food items. Transition from subsistence existence to "middle class" further creates demand for quantity, quality and diversity of food. Rising income leads to more protein consumption in the form of poultry, eggs, milk and vegetable oils.

Responding to the changing food preferences of millions of Indians, the government is aiming to bring reforms to the age-old food safety laws. It is a welcome sign to those who want to sell their products in India and desire a "level playing



exports include shrimp, tree nuts, vegetable oil and spices. While the United States imported tree nuts from India, it also exported the same item to India, besides cotton, soybean oil and fresh fruit to a total value of \$260 million last year, according to the U.S. Department of Commerce. That leaves the balance of

Ambassador David C. Mulford tasting fresh fruit imported from the United States at the Aahar 2004 exhibition in New Delhi.

Opposite page: Mansi Ahuja (right), corporate affairs manager of the Washington Apple Commission, chats about California pistachios with hostess Parminder Kaur at Aahar 2005.





Top 10 U.S. Agricultural Exports to India in 2004 (\$ million)		Top 10 U.S. Agricultural Imports from India in 2004 (\$ million)	
Tree Nuts	96	Shrimp	360
Cotton	58	Tree nuts	257
Soybean oil	24	Other intermediate*	123
Other intermediate*	21	Other vegetable oil	94
Fresh fruit	18	Spices	75
Other consumer-oriented	18	Processed fruit & vegetable	50
Hides & Skins	4	Other edible fish & seafood	47
Dairy products	3	Essential oils	43
Vegetable Oil	2	Rice	37
Processed fruit & vegetables	2	Other dairy products	33
Total	260	Total	1297

*Other intermediate includes food ingredients such as thickeners, concentrates and protein isolates.

Courtesy U.S. Department of Commerce

field” with Indian food exporters. “We would like to see that the new law is transparent, based on science, not trade restrictive,” says Michael Riedel, agricultural attaché at the American Embassy.

Riedel feels that the United States and India should work on areas of biotechnology, research and investment. “India has to establish a regulatory framework for biotechnology that is timely and transparent, and carry out collaborative research to spur development of new bioengineered products. To attract investments needed to stimulate growth of the biotechnology sector, proper IPR protections must be adopted and enforced,” he says.

Level playing field

“India should remove non-science based SPS measures that are negatively affecting U.S. agricultural exports. India should notify new measures to the World Trade Organization prior to their implementation and establish a regular dialogue between technical experts from India and the United States to systematically address SPS issues with a view to increase bilateral agricultural trade,” adds Riedel.

The Confederation of Indian Industry (CII) views the Indian food processing industry as a sunrise sector because of its strong product base and great export potential. According to CII estimates, India produces 41 percent of the world’s mangoes, 30 percent of cauliflowers, 28 percent of tea, 23 percent of bananas, 24 percent of cashews and 36 percent of green peas. “These advantages, if leveraged optimally, can translate into India becoming a leading food supplier to the world,” says Monojit

Chintey, executive officer in the CII’s department of food processing.

India should diversify into new products and add to the quality of current exports to the United States such as shrimp, other marine products, nuts and spices. “To further increase exports to the United States, India should design a strategy with specific targets. For example for 2010 the target for merchandise should be pegged at \$65 billion, while \$40 billion should be the target set for services,” suggests Chintey.

Benefits of consumer choice

One reason for India’s restrictions on food imports has been a demand by Indian farmers for protection from the competition. But Sunderlal, the representative of American exporters, says consumers will always want choice and there is room for local and imported produce in India. For example, he said, until four years ago, growers in Himachal Pradesh were resigned to selling their apples at about Rs. 30 per kilo. When the government lifted quantitative import restrictions in 2000, imported apples began appearing in the Indian market and sold at about Rs. 100-120 per kilo. Suddenly, Himachal growers discovered that their apples would sell at up to Rs. 60. The imported fruit, instead of harming the local farmers’ interest, boosted the popularity and price of Himachal apples.

There are huge opportunities for large investments in food and food processing technologies, skills and equipment, especially in canning, dairy products, specialty processing, packaging, frozen foods, refrigeration and thermo processing. Health food and supplements are another rapidly rising segment. Chintey feels that family income growth, over time, impels a switch to more consumption of meat and value-added products, which has been the tendency the world over. There will be a sharp increase in livestock production and thus animal feed and cereal production and imports as Indians gain more disposable income, he suggests. Experts estimate by 2025 India will need an additional 92 million tons of cereal production to meet the demand.

India, the world’s third largest producer of agricultural products after the United States and China, already grows 150 million tons of fruit and vegetables per year and is the largest producer of eggs at 43 million per year, according to the CII. Yet, says Chintey, 40 percent of all Indian agricultural produce is wasted before reaching the market and could be preserved through new technologies available through partnerships and trade with American and other importers. Grading, sorting, packaging and refrigeration enhance the shelf life of food products and will especially benefit India’s poultry and fishery sectors.

Trade provides consumers access to a wider variety of food products at reasonable prices. American consumers receive tropical fruits, coffee and exotic French cheese. Imports make fresh fruits and vegetables, such as asparagus and grapes, available at affordable prices during the winter. Indian consumers can also have these advantages. As the food industry becomes globalized, it increasingly uses not just trade, but a variety of innovative business arrangements to access global markets and provide services and products. □



California Pistachio Commission



Pear Bureau NorthWest



California Prune Board



California Table Grapes Commission